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FISCAL IMPACT STATEMENT

LS 7240

BILL NUMBER: HB 1444

NOTE PREPARED: Jan 7, 2003

BILL AMENDED:

SUBJECT: 1977 Fund Retirement Benefits.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill: (1) provides that a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund who has completed 20 years of service may retire at 50 years of age, instead of 52 years of age; (2) eliminates the 1977 Fund member's election to retire with actuarially reduced benefits; and (3) increases the percentages that apply when calculating a benefit for a 1977 Fund member with more than 20 years of service.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* The bill increases the unfunded accrued liabilities of the 1977 Police Officers' and Firefighters' Pension and Disability Fund by an estimated \$102.83 M., and increases annual funding by \$15.09 M. It also increases the employer annual funding as a percent of the salary of the a first class police officer and firefighter from the current 21% to 25.1%.

Background: The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a defined benefit multi-employer fund covering all full-time police and firefighters who are hired after April 30, 1977. The 1977 Fund is actuarially funded. The amount necessary to cover the normal cost and the amortization of the unfunded accrued liability is appropriated annually by each municipality. Currently, the employer cost is 21% of the covered payroll. The table below shows the impact on the Fund's unfunded accrued liability and the estimated increase in employer funding that would be required.

1977 Plan Only

Estimated Increase in Unfunded Accrued Liability:	\$102.83 M
Estimated Increase in Employer Annual Funding:	\$15.09 M
Increase in Employer Annual Funding as % of First Class Salary:	21% would increase to 25.1%

This estimate is based on the January 1, 2000, actuarial valuation, with the unfunded accrued liability and employer annual funding adjusted for inflation.

Explanation of Local Revenues:

State Agencies Affected: The Public Employees' Retirement Fund as administrators of the 1977 Fund.

Local Agencies Affected: Those municipalities with members in the 1977 Fund.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for the 1977 Fund, 576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Amortization paying of an interest-bearing liability by gradual reduction through a series of installments as opposed to paying it off by one lump-sum payment.

Defined Benefit- benefits to be received by employees after retirement that are predetermined by a formula. The employer's contributions under such a program are determined on the basis of the benefits that are thus payable.

Funding- a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.